

Accountant, (A) the Net Revenues, Customer Facility Charges pledged to the repayment of any Outstanding CFC Bonds, and Passenger Facility Charges pledged to the repayment of any Outstanding PFC Bonds for such period and (B) the Debt Service Requirements for such period; and (ii) demonstrating that for such period the sum of the Net Revenues in respect of Outstanding Bonds, and Passenger Facility Charges in respect of only Outstanding PFC Bonds, and Customer Facility Charges in respect of only Outstanding CFC Bonds, equaled at least the amount needed for making the deposits to the several accounts in the Airport Fund required under this Resolution; provided that in making the foregoing calculation the Independent Accountant may take into consideration the Passenger Facility Charges only in the event PFC Bonds are Outstanding and only to the extent of 125% of the annual Debt Service Requirements of such Outstanding PFC Bonds and may take into consideration the Customer Facility Charges only in the event CFC Bonds are Outstanding and only to the extent of 125% the annual Debt Service Requirements of such Outstanding CFC Bonds; and

(2) A certificate of the Consulting Engineer setting forth (a) the estimated date of completion for the Project for which such series of Additional Bonds is being issued and (b) in reasonable detail, an estimate of the costs of the Project; and

(3) A certificate or report from an Independent Airport Consultant, addressed to the City and dated as of a date not more than three (3) months before the date on which the Additional Bonds are issued, (i) stating that in the opinion of such Independent Airport Consultant, based upon reasonable assumptions (which are set forth in the certificate), fees and other charges calculated in accordance with Section 7.11(a) projected to be received following the issuance of the Additional Bonds will be sufficient to produce Net Revenues in respect of all Bonds to be Outstanding upon the issuance of the Additional Bonds, Passenger Facility Charges in respect of only PFC Bonds to be Outstanding upon the issuance of the Additional Bonds, and Customer Facility Charges in respect of only CFC Bonds to be Outstanding upon the issuance of the Additional Bonds, in an amount not less than 125% of the maximum Debt Service Requirements for a Fiscal Year in respect of the Bonds to be Outstanding upon the issuance of the Additional Bonds (including the proposed Additional Bonds but excluding any Bonds not to be Outstanding upon issuance of such Additional Bonds) for each of the three complete Fiscal Years immediately following the most recent Audited Fiscal Year in relation to the date of the computation; provided that in making the foregoing calculation the Independent Airport Consultant may take Passenger Facility Charges and Customer Facility Charges into consideration for these purposes only in the event PFC Bonds or CFC Bonds, respectively, are to be Outstanding upon the issuance of the Additional Bonds and as to proposed Additional Bonds that are PFC Bonds or CFC Bonds only upon satisfaction of paragraph 5.04(c) or 5.04(d), respectively, and in any event only to the extent of 125% of the annual Debt Service Requirements of the Outstanding PFC Bonds and the proposed Additional Bonds that are PFC Bonds and the annual Debt Service Requirements of the Outstanding CFC Bonds and the proposed

Additional Bonds that are CFC Bonds, as appropriate. In any event, if capitalized interest is to be applied in the last Fiscal Year of the period consisting of the three complete Fiscal Years described in the preceding sentence, such period will be extended through the end of the first complete Fiscal Year during which neither capitalized interest nor investment income thereon is projected to be available.

(c) If the Additional Bonds are proposed to be issued as PFC Bonds, in addition to the documents required by paragraph (a) or paragraph (b) of this Section 5.04, as applicable, a certificate signed by the Director of Aviation and Transit stating that the City has submitted an application for Passenger Facility Charges for a Project to be financed by the Additional Bonds that are PFC Bonds, such application has been approved with a copy of the Federal Aviation Administration approval letter or other approval document, and the revenues derived from such passenger facility charges shall constitute Passenger Facility Charges for all purposes of this Resolution and are pledged to the payment of such Additional PFC Bonds to the extent provided herein.

(d) If the Additional Bonds are proposed to be issued as CFC Bonds, in addition to the documents required by paragraph (a) or paragraph (b) of this Section 5.04, as applicable, a certificate signed by the Director of Aviation and Transit stating that such CFC Bonds are to be issued in respect of a Car Rental Facility approved pursuant to the Customer Facility Charge Ordinance.

5.05. Additional Bonds Issued as Refunding Bonds. If the Additional Bonds are issued to refund all or any Bonds or Notes then Outstanding, there is to be filed with the City Clerk and the Registrar:

(a) a report of an Independent Accountant to the effect that either (i) the net proceeds (excluding accrued interest but including any premium) of the Additional Bonds plus any money available and to be withdrawn from the Debt Service Account or the Debt Service Reserve Account for such purpose, together with any other funds deposited for such purpose, will be not less than an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds to be refunded which will become due and payable on or before the Redemption Dates or Stated Maturities thereof; provided that a report of an Independent Accountant shall not be required if the Redemption Date of the Bonds to be redeemed is not more than 90 days after the date of issuance of the Additional Bonds to effect the redemption and the aggregate amount deposited upon issuance of such Additional Bonds is sufficient to pay, without regard to investment earnings thereon, the principal of, premium, if any, and interest on the Bonds to be refunded to the Redemption Date or Stated Maturities thereof, so long as the Original Purchaser of the Additional Bonds delivers to the City on or before the date of issuance of such Additional Bonds a certificate satisfactory to the City certifying that the aggregate amount deposited upon issuance of the Additional Bonds is sufficient to pay, without regard to investment earnings thereon, the principal of, premium, if any, and interest on the Bonds to be refunded to the Redemption Dates or Stated Maturities thereof; or (ii) from the proceeds of the Additional Bonds there shall be deposited in an Escrow Account in trust, Government Obligations which do not permit the redemption thereof at the option of the issuer, the principal of and the interest on which when due and payable (or redeemable at the option of the holder thereof) will provide, together with

any other money which shall have been deposited irrevocably in the Escrow Account for such purpose, an amount sufficient to pay, without reinvestment, the principal of, premium, if any, and interest on the Outstanding Bonds to be refunded; or

(b) if the Supplemental Resolution authorizing the issuance of the Additional Bonds provides for the creation of an Escrow Account and provides that amounts in such Escrow Account are pledged only to and may be used only for the payment of the principal of, premium, if any, and interest on the Additional Bonds until the first optional Redemption Date of the Outstanding Bonds to be refunded (at which time such amounts must be transferred to the Debt Service Account and used to pay the principal of, premium, if any, and interest on the Outstanding Bonds to be refunded), a report of an Independent Accountant to the effect that the proceeds of such Additional Bonds to be deposited in such Escrow Account are in an amount sufficient to pay the principal of, premium, if any, and interest on the Additional Bonds payable until the first optional Redemption Date of the Outstanding Bonds to be refunded and to pay the principal of, premium, if any, and interest on all Outstanding Bonds to be refunded on such Redemption Date; or

(c) if (x) the Debt Service Requirements of the Additional Bonds exceed in any Fiscal Year by more than 5% the Debt Service Requirements of the Outstanding Bonds to be refunded or (y) if not all Outstanding Bonds of a series are to be refunded and if the first Stated Maturity of the series of Additional Bonds is earlier than the final Stated Maturity of the Outstanding Bonds of such series not to be refunded, the documents that would be required in respect of such Additional Bonds under Section 5.04(a) or 5.04(b); or

(d) if Additional Bonds are to be issued to refund Outstanding Notes issued under Section 5.07 in anticipation of the issuance thereof, and if the average interest rate on such Additional Bonds exceeds the maximum rate assumed upon the issuance of the Notes under Section 5.07(a), the documents that would be required in respect of such Additional Bonds under Section 5.04(a) or 5.04(b).

5.06. Subordinate Obligations Permitted. Nothing herein prevents the City from issuing subordinate bonds or incurring other obligations having a lien on the Net Revenues subordinate to the lien thereon of Bonds and payable from the Subordinate Obligations Account. Each Subordinate Obligation shall include in its title a word or phrase such as "subordinate" or "junior" or "second lien" and a clear statement that the lien thereof on Net Revenues is subordinate to the lien on all Bonds. No payment of principal of, premium, if any, or interest shall be made on any Subordinate Obligation if the City is then in default in the payment of principal or interest on any Bond, which will not be cured by the issuance of the Subordinate Obligations and no obligations may be issued pursuant to this Section 5.06 if a deficiency exists in the Debt Service Account, the Debt Service Reserve Account, or the Maintenance and Operating Reserve Account which is not to be restored by the issuance of the Subordinate Obligations. Any surplus Net Revenues segregated to pay such Subordinate Obligations are subject to the prior appropriation thereof to the Debt Service Account, the Debt Service Reserve Account, and the Maintenance and Operating Reserve Account if necessary to meet the requirements thereof.

5.07. Notes. The City may from time to time issue Notes in anticipation of the issuance of Additional Bonds subject to the following conditions:

- (a) the Additional Bonds in anticipation of which the Notes are issued, assuming a maximum rate of interest on such Additional Bonds, shall be authorized to be issued under Section 5.04,
- (b) the payment of interest on the Notes from Net Revenues shall be subordinated to Outstanding Bonds and the principal of the Notes shall be payable solely from the proceeds of the Additional Bonds, unless the City is unable to sell the Additional Bonds, in which case the Notes shall be exchanged for the Additional Bonds on a par-for-par basis bearing interest at the maximum rates assumed under subsection (a) of this Section 5.07, and
- (c) the Notes shall have Stated Maturities within two years of their date of issue.

Section 6. Airport Fund and Accounts.

6.01. Continuation of Airport Fund. The City has established a separate fund designated as the Airport Fund, which shall be maintained as a separate bookkeeping account on the official books of the City until all Bonds and interest and redemption premiums due thereon have been fully paid, or the City's obligations with reference to such Bonds has been discharged as provided in Section 10. All proceeds of Bonds and all other funds presently on hand derived from the operation of the Airport and constituting Gross Revenues or Passenger Facility Charges or Customer Facility Charges are irrevocably pledged and appropriated to the Airport Fund. In addition, there is hereby irrevocably pledged and appropriated to the Airport Fund all investment earnings on all funds and accounts within the Fund.

6.02. Accounts. The following accounts have been established and shall be maintained as separate bookkeeping accounts in the Airport Fund:

- a) a Construction Account;
- b) a Revenue Account;
- c) a Maintenance and Operating Account;
- d) a Debt Service Account;
- e) a Debt Service Reserve Account;
- f) a Maintenance and Operating Reserve Account;
- g) a Subordinate Obligations Account;
- h) a Capital Account;
- i) a Passenger Facility Charge Account;
- j) a Customer Facility Charge Account; and
- k) a Rebate Account.

6.03. Construction Account. Within the Construction Account a separate subaccount shall be established for each series of Bonds any part of the proceeds of which are credited to the Construction Account. Upon delivery of the Series 2010A Bonds, the City shall credit to the 2010 Subaccount in the Construction Account, from the proceeds of the Series

2010A Bonds, the sum specified in Section 3.14(c). The Construction Account shall be used only to pay as incurred and allowed Project costs which are capital costs of Projects authorized in accordance with law and herein, including but not limited to payments due for work and materials performed and delivered under construction contracts, architectural, engineering, inspection, supervision, fiscal and legal expenses, the cost of lands and easements, interest accruing on Bonds during the period of construction of facilities financed thereby as described in this section, if and to the extent that the Debt Service Account is not sufficient for payment of such interest, Costs of Issuance, reimbursement of any advances made from other City funds, and all other expenses incurred in connection with the construction and financing of such Projects (collectively, "Project Costs"). To the appropriate subaccount of the Construction Account shall be credited as received all proceeds of Bonds to be applied to the payment of Project Costs and any other funds appropriated by the City for an improvement, betterment or extension to the Airport, any funds received by the City as a grant in aid of construction of the Projects being financed from the proceeds of the Bonds and all income received from the investment of the Construction Account. Upon completion of a Project, the balance remaining in the subaccount of the Construction Account for the Bonds issued to finance that Project, net of any amounts required to be transferred to the Rebate Account as provided in Section 6.13, may be used to pay the cost of other capital improvements to the Airport, if the City receives an opinion of Bond Counsel that the financing of such improvement would not affect the tax exempt status of the Bonds, but if and to the extent not so used shall be transferred to the Debt Service Reserve Account to the extent required to establish the Reserve Requirement therein and, to the extent not so required, to the Debt Service Account.

6.04. Revenue Account. All Gross Revenues and all other revenues required to be deposited, other than any Passenger Facility Charge or Customer Facility Charge, shall be credited as received to the Revenue Account. On each Allocation Date, Gross Revenues in the Revenue Account shall be allocated to the Maintenance and Operating Account, Debt Service Account, Debt Service Reserve Account, Maintenance and Operating Reserve Account, Subordinate Obligations Account, and Capital Account in that order as provided in Sections 6.05 through 6.10 in the respective amounts called for by each such account, as described below. Amounts in the Revenue Account in excess of the requirements of the Maintenance and Operating Account, Debt Service Account, Debt Service Reserve Account, Maintenance and Operating Reserve Account, Subordinate Obligations Account, and Capital Account shall be retained in the Revenue Account and may be used by the City for any lawful purpose of the City relating to the Airport, including, but not limited to, the replacement or renewal or major repair of worn out, obsolete or damaged properties and equipment of the Airport or for improvements or additions to the Airport if so directed by the Council, to pay Maintenance and Operating Expenses, to make transfers to the Rebate Account, if necessary, to redeem Bonds which are subject to redemption according to their terms, to pay principal of or interest on Bonds to the extent of a shortfall in amounts required under Section 6.06 not otherwise satisfied as prescribed below, to make transfers to the Debt Service Reserve Account to the extent of a deficiency therein not otherwise satisfied as prescribed below, to fund the Maintenance and Operating Reserve Account, to fund the Renewal and Replacement Reserve Subaccount, and to fund the General Subaccount. In the event construction and installation of additional improvements or additions to the Airport are financed from Subordinate Obligations, surplus Net Revenues from time to time received may be segregated and paid into the Subordinate Obligations Account for

the repayment of Subordinate Obligations and interest thereon, in advance of payments required to be made into the Capital Account, subject to the limitations of Section 5.06 above.

6.05. Maintenance and Operating Account. On and as of each Allocation Date, there shall be credited to the Maintenance and Operating Account, from the balance then on hand in the Revenue Account, such amount as may be required with any amount then on hand in the Maintenance and Operating Account to pay the Maintenance and Operating Expenses which are then due and payable or will become due and payable before the next Allocation Date (including any amount to be held as a reserve for transfer to the Rebate Account) plus such amount as is reasonably necessary to accumulate in the Maintenance and Operating Account a balance for payment when due of items of Maintenance and Operating Expense not due and payable on a monthly basis. Money in the Maintenance and Operating Account shall be used solely for the payment when due of Maintenance and Operating Expenses and to make transfers to the Rebate Account, if necessary.

6.06. Debt Service Account. There is hereby created in the Debt Service Account a separate subaccount for the Series 2010A Bonds to be denominated the "2010 Debt Service Subaccount." Upon the issuance of any series of Additional Bonds, the City shall establish a subaccount in the Debt Service Account relating thereto. Money on hand in a subaccount in the Debt Service Account shall be used to pay the principal of, premium, if any, and interest on the Bonds of the series to which such subaccount relates, as further provided in this Section 6.06. If no Bonds of a series are Outstanding, any available funds in the subaccount in the Debt Service Account relating to such series of Bonds shall be transferred to the other subaccounts in the Debt Service Account, pro rata, in proportion to the Debt Service Requirements with respect to each series of Bonds then Outstanding in the then current Fiscal Year.

On and as of each Allocation Date the City shall transfer for deposit in the appropriate subaccounts within the Debt Service Account as follows: (i) with respect to any Outstanding PFC Bonds, from amounts on hand in the Passenger Facility Charges Account an amount equal to one-sixth of the interest due and payable on the next Interest Payment Date or Dates from such account and one-twelfth of the principal, if any, due and payable on the next Principal Payment Date or Dates within the next twelve months on all Outstanding PFC Bonds to the subaccount or subaccounts in the Debt Service Account relating to such PFC Bonds (or if the Outstanding PFC Bonds are payable other than semi-annually as to interest and annually as to principal, an amount per month to accumulate to an amount due on the Interest Payment Date and Principal Payment Date); (ii) with respect to any Outstanding CFC Bonds, from amounts on hand in the Customer Facility Charges Account an amount equal to one-sixth of the interest due and payable on the next Interest Payment Date or Dates from such account and one-twelfth of the principal, if any, due and payable on the next Principal Payment Date or Dates within the next twelve months on all Outstanding CFC Bonds to the subaccount or subaccounts in the Debt Service Account relating to such CFC Bonds (or if the Outstanding CFC Bonds are payable other than semi-annually as to interest and annually as to principal, an amount per month to accumulate to an amount due on the Interest Payment Date and Principal Payment Date); and (iii) from the balance then on hand in the Revenue Account, after the required credit to the Maintenance and Operating Account, an amount equal to one-sixth of the interest due and payable on the next Interest Payment Date or Dates on all Bonds then Outstanding payable from such subaccount and one-twelfth of the principal, if any, due and payable on the next Principal

Payment Date or Dates within the next twelve months on all Outstanding Bonds payable from such subaccount (or if the Outstanding Bonds are payable other than semi-annually as to interest and annually as to principal, an amount per month to accumulate to an amount due on the Interest Payment Date and Principal Payment Date), less the amount of any transfer to such subaccount with respect to Outstanding PFC Bonds and Outstanding CFC Bonds made on such date pursuant to clauses (i) and (ii) respectively of this sentence; provided, however, that on the Allocation Date immediately preceding each Interest Payment Date and each Principal Payment Date the amount to be credited to a subaccount in the Debt Service Account shall be increased or decreased, as the case may be, in order that the balance therein immediately after such credit will equal the total amount due and payable from that subaccount on such Interest Payment Date or Principal Payment Date, and provided further that the allocations to the 2010A Debt Service Subaccount, commencing July 1, 2010 and ending July 1, 2020 shall be in amounts equal to one-sixth of the interest due and payable on each Interest Payment Date and monthly allocations in respect of the payment of principal of the Series 2010A Bonds commence July 1, 2010. If on an Allocation Date, there are not sufficient Gross Revenues remaining after the required credit to the Maintenance and Operating Account to make the deposits required by the immediately preceding sentence to all subaccounts in the Debt Service Account, then the available amount of Gross Revenues shall be credited to the various subaccounts in the Debt Service Account, pro rata, in proportion to the Debt Service Requirements with respect to each series of Bonds then Outstanding in the then current Fiscal Year. Similarly, if on an Allocation Date, there are not sufficient Passenger Facility Charges or Customer Facility Charges to make the deposits required by the first sentence of this paragraph to the subaccounts in the Debt Service Account relating to all Outstanding PFC Bonds and Outstanding CFC Bonds, respectively, then the available amount of Passenger Facility Charges and Customer Facility Charges shall be credited to such subaccounts in the Debt Service Account, pro rata, in proportion to the Debt Service Requirements with respect to each series of PFC Bonds and CFC Bonds, respectively, then Outstanding in the then current Fiscal Year.

Money from time to time held in the Debt Service Account shall be disbursed only to meet payments of principal of, premium, if any, and interest on the Bonds as such payments become due, including payments of principal of, premium, if any, and interest on any Term Bonds on a Sinking Fund Payment Date or the Accreted Amount of Capital Appreciation Bonds (and payments under Credit Facility Obligations); provided that on any date when the balance then on hand in a subaccount in the Debt Service Account, plus the balance then on hand in the Debt Service Reserve Account, if any, is sufficient with other money available for the purpose to pay or discharge all Bonds of that series and the interest accrued thereon in full, and the balance on hand in all other subaccounts in the Debt Service Reserve Account will be at least equal to the Reserve Requirement for all Bonds not to be discharged, it may be used for that purpose.

If any payment of principal, premium or interest becomes due on Bonds when money in the subaccount in the Debt Service Account is insufficient therefor, an amount equal to such deficiency shall be transferred to the subaccount in the Debt Service Account from the Debt Service Reserve Account not less than five Business Days prior to the Interest Payment Date, Principal Payment Date, or both, as the case may be.

Nothing herein shall preclude the City from remitting grant proceeds or other available funds in lieu of or in addition to Passenger Facility Charges or Customer Facility Charges.

6.07. Debt Service Reserve Account. Within the Debt Service Reserve Account there shall be established a separate subaccount for each series of Bonds; the subaccount for the Series 2010A Bonds is denominated the “2010A Debt Service Reserve Subaccount.” Upon delivery of the Series 2010A Bonds, the City shall credit to the 2010A Debt Service Reserve Subaccount from funds the City has on hand and available therefor, \$764,000. If on any Allocation Date, the balance in a subaccount created in the Debt Service Reserve Account created for any series of PFC Bonds or any series of CFC Bonds is less than the Reserve Requirement related thereto there shall be credited to such subaccount from the balance on hand in the Passenger Facility Charge Account or the Customer Facility Charge Account, as appropriate, after the required credit to the Debt Service Account for Outstanding PFC Bonds under Section 6.11 and for Outstanding CFC Bonds under Section 6.12, an amount sufficient to restore the balance in such subaccount to the Reserve Requirement for such Outstanding PFC Bonds or CFC Bonds, as appropriate; provided, however, that if such balance is insufficient to satisfy all such credits, then such balance shall be apportioned ratably to each such subaccount in proportion to the Reserve Requirement for each series of Outstanding PFC Bonds or CFC Bonds, as appropriate. If on any Allocation Date, after the foregoing allocations are made, the balance in the Debt Service Reserve Account is less than the Reserve Requirement, from the balance on hand in the Revenue Account after the required credits to the Maintenance and Operating Account and the Debt Service Account, there shall be credited to the Debt Service Reserve Account for deposit in the appropriate subaccounts therein an amount sufficient to restore the balance on hand in each of the subaccounts in the Debt Service Reserve Account to the Reserve Requirement for Bonds of the series secured thereby; provided, however, that if such balance is insufficient to satisfy all such credits, then such balance shall be apportioned ratably to each such subaccount in which a deficiency then exists in proportion to the Reserve Requirements for each series of Outstanding Bonds.

If on any Interest Payment Date, Principal Payment Date or Redemption Date the balance on hand in a subaccount in the Debt Service Account relating to a series of Bonds is less than the sum required to pay all principal, Accrued Amount, premium, and interest then due and payable on the Bonds of the series payable therefrom, the City forthwith shall transfer to such subaccount from the Debt Service Reserve Account an amount equal to such deficiency. If such transfer is made, the City shall transfer to the Debt Service Reserve Account an amount equal to the deficiency from funds on hand in the Airport Fund.

If the City issues any Additional Bonds, the City shall from the proceeds of such Additional Bonds or other available funds increase the balance in the Debt Service Reserve Account to the Reserve Requirement, calculated after giving effect to the issuance of such Additional Bonds, simultaneously with the issuance of the Additional Bonds.

Money in the Debt Service Reserve Account shall be used only to pay when due principal of, premium, if any, and interest on Bonds when the balance on hand in the Debt Service Account is insufficient therefor or to pay or defease Bonds as provided in Section 6.06 or Section 10. If at any time (including, but not limited to, any Interest Payment Date, any Principal Payment Date and any Redemption Date), the balance in the Debt Service Reserve

Account exceeds the Reserve Requirement, the City shall transfer such excess to the Debt Service Account.

If it is determined upon any valuation of Qualified Investments in the Debt Service Reserve Account as required in Section 6.15, that the value of the Qualified Investments, together with any cash in the Debt Service Reserve Account is less than the Reserve Requirement, the City shall promptly remit from any available funds in the Airport Fund an amount necessary to cause the balance on hand in the Debt Service Reserve Account to equal the Reserve Requirement. If it is determined upon any valuation of Qualified Investments in the Debt Service Reserve Account that the value of the Qualified Investments, together with any cash in the Debt Service Reserve Account is greater than one hundred percent (100%) of the Reserve Requirement, the amount so determined to be in excess of the Reserve Requirement shall be transferred to the Debt Service Account, except that prior to the Completion Date of a Project any such excess attributable to the series of Bonds that financed such Project shall be transferred to the Construction Account.

6.08. Maintenance and Operating Reserve Account. On and as of each Allocation Date there shall be credited to the Maintenance and Operating Reserve Account, from the balance then on hand in the Revenue Account, after the required credits to the Maintenance and Operating Account, the Debt Service Account, and the Debt Service Reserve Account such amount as is necessary to maintain a balance equal to the Maintenance and Operating Reserve Requirement. Money in the Maintenance and Operating Reserve Account shall be transferred to the Maintenance and Operating Account whenever the balance on hand in the Maintenance and Operating Account is not sufficient to pay all Maintenance and Operating Expenses then due and payable and to make transfers to the Rebate Account if necessary. Further, if the balance on hand in the Debt Service Account is insufficient to pay all Debt Service Requirements then due and payable therefrom after transferring thereto any available amount on hand in the Debt Service Reserve Account and any unencumbered funds retained in the Revenue Account under Section 6.04 above, an amount equal to all or a part of such deficiency may be transferred to the Debt Service Account from the Maintenance and Operating Reserve Account in the same manner as provided in the fourth paragraph of Section 6.06.

6.09. Subordinate Obligations Account. On and as of each Allocation Date there shall be credited to the Subordinate Obligations Account, from the balance then on hand in the Revenue Account, after the required credits to the Maintenance and Operating Account, the Debt Service Account, the Debt Service Reserve Account, and the Maintenance and Operating Reserve Account such amount as may be required to pay Subordinate Obligations, including reasonable reserves therefor, as provided by any Supplemental Resolution or other instrument. Money on hand in the Subordinate Obligations Account shall be transferred to the Maintenance and Operating Account, the Debt Service Account, the Debt Service Reserve Account, or the Maintenance and Operating Reserve Account if at any time the balance on hand in any such accounts, after any transfer elsewhere authorized is not sufficient to pay all costs payable therefrom.

6.10. Capital Account. The Capital Account shall be divided into four subaccounts: a Renewal and Replacement Reserve Subaccount, a General Subaccount, a Passenger Facility Charge Subaccount, and a Customer Facility Charge Subaccount.

(i) Renewal and Replacement Reserve Subaccount. On each Allocation Date, there shall be credited to the Renewal and Replacement Reserve Subaccount in the Capital Account, after the credits or transfers described in Section 6.08, from available Net Revenues such amount as is necessary to establish over a period of six months, or, if previously established, restore over a period of six months commencing on the first Allocation Date after the date of the deficiency arises, assuming approximately equal monthly credits, and thereafter maintain a balance in the Renewal and Replacement Reserve Subaccount equal to the Renewal and Replacement Reserve Requirement. Money in the Renewal and Replacement Reserve Subaccount shall be used only to pay the cost of necessary and unanticipated or emergency repairs and replacements of Airport property as determined by the Director of Aviation and Transit and to make transfers to the Rebate Account, if necessary. If the balance in the Renewal and Replacement Reserve Subaccount falls below the Renewal and Replacement Reserve Requirement, on each succeeding Allocation Date, there shall be credited to the Renewal and Replacement Reserve Subaccount, after the credits or transfers described in Section 6.08, from available Net Revenues an amount sufficient to restore, over a period of six months in approximately equal monthly credits, the balance in the Renewal and Replacement Reserve Subaccount at the Renewal and Replacement Reserve Requirement. If the balance in the Renewal and Replacement Reserve Subaccount exceeds the Renewal and Replacement Reserve Requirement, the City shall transfer such excess or any portion thereof to the General Subaccount in the Capital Account if required therein, and if not required, to the balance retained in the Revenue Account under Section 6.04.

(ii) General Subaccount. On each Allocation Date there shall be credited to the General Subaccount in the Capital Account from amounts remaining in the Revenue Account after the required credits to the Maintenance and Operating Account, Debt Service Account, and the Debt Service Reserve Account, the Maintenance and Operating Reserve Account, the Renewal and Replacement Reserve Subaccount and any credits to the Subordinate Obligations Account an amount necessary or appropriate to fund budgeted capital improvements for the Airport for the then-current Fiscal Year.

(iii) Passenger Facility Charge Subaccount. On each Allocation Date there shall be credited to the Passenger Facility Charge Subaccount in the Capital Account the balance on hand in the Passenger Facility Charge Account, after the required credits to the Debt Service Account and Debt Service Reserve Account. Moneys on hand in the Passenger Facility Charge Subaccount shall be used to redeem PFC Bonds, which are subject to redemption according to their terms, and to pay principal of and interest on Outstanding PFC Bonds when due thereon to the extent of a deficiency in the Debt Service Account and as required in Section 6.06 or to reimburse the City for or pay any eligible expenditures or to pay the cost of improvements or additions to the Airport or any other costs or expenses if authorized or not prohibited by the Federal Aviation Administration.

(iv) Customer Facility Charge Subaccount. On each Allocation Date there shall be credited to the Customer Facility Charge Subaccount in the Capital Account the balance on hand in the Customer Facility Charge Account, after the required credits to the Debt Service Account and Debt Service Reserve Account. Moneys on hand in the Customer Facility Charge Subaccount shall be used to redeem CFC Bonds, which are subject to redemption according to their terms, and to pay principal of and interest on Outstanding CFC Bonds when due thereon to the extent of a deficiency in the Debt Service Account and as required in Section 6.06 or to

reimburse the City for or pay eligible expenditures or to pay the cost of improvements or additions to the Airport or any other costs or expenses as described in or permitted under the Customer Facility Charge Ordinance.

6.11. Passenger Facility Charge Account. Subject to the last sentence of this Section, all Passenger Facility Charges pledged to the repayment of PFC Bonds shall be credited as received into the Passenger Facility Charge Account. Amounts on hand in the Passenger Facility Charge Account are hereby pledged to the payment of any Outstanding Bonds that are issued as PFC Bonds. On each Allocation Date, so long as any PFC Bonds are Outstanding, the balance on hand in the Passenger Facility Charge Account shall be allocated to the Debt Service Account, the Debt Service Reserve Account, and the Passenger Facility Charge Subaccount in the Capital Account as provided in Sections 6.06, 6.07, and 6.10. If PFC Bonds are not Outstanding or to the extent Passenger Facility Charges are not pledged to the repayment of PFC Bonds, Passenger Facility Charges shall be credited as received directly to the Passenger Facility Charge Subaccount.

6.12. Customer Facility Charge Account. Subject to the last sentence of this Section, all Customer Facility Charges pledged to the repayment of CFC Bonds shall be credited as received into the Customer Facility Charge Account. Amounts on hand in the Customer Facility Charge Account are hereby pledged to the payment of any Outstanding Bonds that are issued as CFC Bonds. On each Allocation Date, so long as any CFC Bonds are Outstanding, the balance on hand in the Customer Facility Charge Account shall be allocated to the Debt Service Account, the Debt Service Reserve Account, and the Customer Facility Charge Subaccount in the Capital Account as provided in Sections 6.06, 6.07, and 6.10. If CFC Bonds are not Outstanding or to the extent Customer Facility Charges are not pledged to the repayment of CFC Bonds, Customer Facility Charges shall be credited as received directly to the Customer Facility Charge Subaccount.

6.13. Rebate Account. A Rebate Account shall be established and maintained as a separate account in the Airport Fund. The City shall make deposits to and disbursements from the Rebate Account or subaccounts therein in accordance with the Rebate Certificate, and shall invest money on hand in the Rebate Account pursuant to the requirements of the Rebate Certificate, and shall deposit income from such investments immediately upon receipt thereof in the Rebate Account.

6.14. Deposit and Investment of Funds. The Financial Services Manager shall cause all money pertaining to the Airport Fund and the Accounts therein to be deposited as received with one or more depository banks duly qualified in accordance with the provisions of M.C.A., Section 7-6-201, as amended, or applied to other lawful investments allowed under M.C.A., Title 7, Chapter 6, Part 2, as amended, or other applicable State law. The balance in such accounts, except such portion thereof as shall be guaranteed by federal deposit insurance, shall at all times be secured to its full amount by bonds or securities of the types set forth in said Sections 7-6-201 or 7-6-202 or other applicable law. Any such money not necessary for immediate use may be deposited with such depository banks in savings or time deposits; provided, however, that money in any particular account shall not be invested for a period of time beyond when it is required to be available for Airport purposes. No money shall at any time be withdrawn from such deposit accounts except for the purposes of the Airport Fund authorized in the Resolution; except that money from time to time on hand in the Airport Fund may at any

time be deposited or invested in accounts or securities which are permitted by applicable laws of the State. Income from the deposit or investment of money in any account of the Airport Fund must generally be credited as received to that account, and handled and accounted for in the same manner as other money in that account to the limits and unless otherwise prescribed in this Article VI. Amounts on hand in the Debt Service Reserve Account shall be invested in a qualified investment that matures no later than five years from the date the investment is made. Passenger Facility Charges shall be invested as permitted by applicable laws.

6.15. Valuation of Investments. All Accounts invested in Qualified Investments shall be valued semiannually five (5) business days prior to each Interest Payment Date.

For purposes of this Section, the value of any investments shall be calculated as follows:

- (a) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (b) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers selected by the Registrar in its absolute discretion at the time making a market in such investments or the bid price published by a nationally recognized pricing service; and
- (c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest.

Section 7. Covenants.

7.01. General. The City covenants and agrees with the Holders from time to time of all Bonds that the recitals contained in Sections 1.03 and 1.04 are correct; and that until all Bonds are fully discharged as provided in this Resolution, it will continue to hold, maintain and operate the Airport as a public convenience, and will hold the Airport Fund free from all liens thereon or on the income therefrom other than the liens herein granted or provided for, and will maintain, expend and account for its Airport Fund and the several accounts therein as provided in Section 6, and will not incur a further lien or charge on the Gross Revenues of the Airport except upon the conditions and in the manner prescribed in Section 5, and will perform and cause all officers and employees of the City to perform and enforce each and all of the additional covenants and agreements set forth in this Section 7. The City further covenants that it will operate the Airport in an efficient manner with due regard for the interest of the public and at all times will maintain it in good condition, repair and working order. The City may, in accordance with the Act, at any time create a board upon which the Council may, by City Resolution, confer responsibility, subject to this Resolution, for operation, management, maintenance and improvement of the Airport.

7.02. Competing Service. The City will not establish any other aviation or Airport parking facilities in direct competition with the Airport that would result in a reduction of Net Revenues below the minimum to be maintained as provided in Section 7.11.

7.03. Property Insurance. The City will cause all buildings, properties, fixtures and equipment constituting a part of the Airport to be insured with a reputable insurance carrier or carriers, qualified under the laws of Montana, in such amounts as are ordinarily carried, and against loss or damage by such hazards and risks as are ordinarily insured against, by public bodies owning and operating properties of a similar character and size; provided that if at any time the City is unable to obtain such insurance, it will obtain insurance in such amounts and against such risks as is reasonably obtainable. The proceeds of all such insurance remaining after the payment of the costs and expenses of obtaining such proceeds shall be credited upon receipt to the Construction Account and used in payment of the cost of repairing, restoring or replacing the damaged or destroyed property; provided that, the proceeds of such insurance may, at the discretion of the Council, be applied to effect an extraordinary optional redemption of the Bonds as provided in Section 3.07. If for any reason insurance proceeds are insufficient for the repair, replacement and reconstruction of the insured property and the City has not applied them to an extraordinary optional redemption, the City shall supply the deficiency from other Airport funds available for that purpose. All insurance proceeds received in excess of the amount required for repair, restoration or replacement of the loss or damage or in excess of the amount applied to an extraordinary optional redemption may be transferred to the Capital Account to the extent needed therein and, if not, may be added to the balance retained in the Revenue Account.

7.04. Liability Insurance and Surety Bonds. The City will carry insurance against liability of the City and its employees for damage to persons and property resulting from the operation of the Airport in such amounts as are ordinarily carried, and against loss or damage by such hazards and risks as are ordinarily insured against, by public bodies owning and operating properties of a similar character and size; provided that if at any time the City is unable to obtain such insurance, it will obtain insurance in such amounts and against such risks as is reasonably obtainable. It will also cause all persons handling money and other assets of the Airport Fund to be adequately bonded for the faithful performance of their duties and to account for and pay over such money to the City. All amounts received under such insurance and bonds shall be applied to the payment of the loss or damage covered thereby or may at the discretion of the City be applied to effect an extraordinary optional redemption of the Bonds as provided in Section 3.07. The premiums for all insurance and bonds required by this Section and Section 7.03 constitute Maintenance and Operating Expenses, but no liabilities of the City in excess of amounts received under such insurance and bonds shall constitute a lien or charge on revenues or any other assets herein or otherwise pledged to the Airport Fund.

7.05. Business Interruption Insurance. The City will at all times carry with a responsible insurance company, to the extent not provided for in leases and agreements between the City and others relating to the Airport, insurance covering the loss of revenues from the Airport by reason of necessary interruption, total or partial, in the use thereof, resulting from damage thereto, or destruction thereof, however caused, in such amount as shall be estimated by the City in consultation with the Insurance Consultant to be sufficient to provide a full normal income during the period of suspension subject to certain conditions.

7.06. Disposition of Property. The City will not mortgage, sell or otherwise dispose of any real or personal properties of the Airport, unless:

- (a) Prior to or simultaneous with such mortgage, sale or other disposition, all of the Bonds then Outstanding shall be discharged as provided in Section 9; or
- (b) (i) if the value of property to be disposed of in any Fiscal Year exceeds \$300,000 on an aggregate basis or \$200,000 for any one item of property, the Director of Aviation and Transit files in the office of the City Clerk a Certificate of a Consulting Engineer or Qualified Real Estate Appraiser if the property to be disposed of is real property, that the properties to be mortgaged, sold or otherwise disposed of are unserviceable, inadequate, obsolete or are not required for use in connection with the Airport; and that the mortgage, sale or other disposition will not prevent the City from complying with the provisions of the Resolution; or
 - (ii) if the interest to be conveyed is an easement, and the Director of Aviation and Transit files in the office of the City Clerk a certificate of the Director of Aviation and Transit that the easement will not affect the operation of the Airport or prevent the City from complying with the provisions of the Resolution; or
 - (iii) if the property is conveyed in compliance with regulations by the Federal Aviation Administration, and the Director of Aviation and Transit files in the office of the City Clerk a certificate of the Director of Aviation and Transit that the transfer will not affect the operation of the Airport or prevent the City from complying with the provisions of the Resolution; or
 - (iv) the mortgage, sale or other disposition will not prevent the City from complying with the provisions of the Resolution apart from this Section; and
 - (v) all proceeds of the mortgage, sale or other disposition of such properties are credited to the Airport Fund.

The City may, however, transfer all or a substantial part of the Airport to another body politic and corporate (including without limitation any successor of the City) if such body politic and corporate succeeds to the duties, privileges, powers, liabilities, disabilities, immunities and rights of the City with respect to the Airport, or substantially all thereof, including all obligations of the City under the Resolution, if in the Opinion of Bond Counsel such transfer shall not adversely and materially affect the privileges and rights of any Holder of any Outstanding Bond.

7.07. Annual Budgets. By the end of each June, the Director of Aviation and Transit will cause to be prepared a proposed Annual Budget stating the monthly expenditures required for operation and maintenance during that year and the payments required to be made into the Debt Service Account, the Debt Service Reserve Account, the Maintenance and Operating Reserve Account and the Renewal and Replacement Subaccount, and the rates, fees, charges and rentals to be paid and the taxes to be levied, if any, and collected during the year. Copies of the Annual Budget adopted and approved by the City Council and the established rates, fees, charges, rentals and taxes, if any, will be filed with the City Clerk.

7.08. Books and Records. The City will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the Airport, the Gross Revenues derived from its operation, and the segregation and application of the Gross Revenues, the Passenger Facility Charges and the Customer Facility Charges in accordance with this Resolution, in such reasonable detail as may be determined by the City in accordance with generally accepted accounting principles. It will cause such books to be maintained on the basis of a Fiscal Year. The City shall, within 270 days after the close of each Fiscal Year, cause to be prepared a financial report with respect to the Airport for such Fiscal Year. The report shall be prepared at the direction of the Financial Services Manager in accordance with applicable generally accepted accounting principles applicable to governmental entities and, in addition to whatever matters may be thought proper by the Financial Services Manager to be included therein, shall include the following:

- (a) A statement in detail of the income and expenditures of the Airport for the Fiscal Year, identifying capital expenditures and separating them from Maintenance and Operating Expenses;
- (b) A balance sheet as of the end of the Fiscal Year;
- (c) The balance on hand in each account of the Airport Fund at the end of the Fiscal Year;
- (d) A list of the insurance policies and fidelity bonds in force at the end of the Fiscal Year, setting out as to each the amount thereof, the risks covered thereby, the name of the insurer or surety and the expiration date of the policy or bond; and
- (e) A determination that the report shows full compliance by the City with the provisions of the Resolution during the Fiscal Year covered thereby, including proper segregation of the capital expenditures from Maintenance and Operating Expenses, maintenance of the Reserve Requirement in the Debt Service Reserve Account, and receipt of Net Revenues during such Fiscal Year as herein required, or, if the report reveals that the Net Revenues have been insufficient for compliance with this Resolution, or that the methods used in accounting for such revenues were contrary to any provision of this Resolution, the report shall include a full explanation thereof, together with recommendations for such change in rates or accounting practices or in the operation of the Airport as may be required.

The City shall also have prepared, within 270 days after the close of each Fiscal Year, an audit report prepared by an Independent Accountant in accordance with generally accepted accounting principles and practice with respect to the financial statements and records of the Airport. The audit report shall include an analysis of the City's compliance with the provisions of this Resolution.

7.09. Cost of Insurance and Accounting. The insurance and fidelity bond premiums and the cost of the bookkeeping and audits herein provided for and of the billings and collection of the Gross Revenues shall be payable from the Maintenance and Operating Account.

7.10. Handling of Funds. The employees of the City, under the direction and control of the Director of Aviation and Transit, shall keep books of account and collect the rates, fees, charges and rentals for the services and facilities provided by the Airport and for other money currently receivable on account thereof. All money collected with respect to the Airport shall be deposited as directed by the Financial Services Manager in accordance with the provisions of the Resolution. The Financial Services Manager and Director of Aviation and Transit shall be bonded at all times with a surety company authorized to do business in Montana, in an amount determined by the City Council, to assure the faithful carrying out of their duties. The cost of such fidelity bond or a reasonably allocated share of the costs of any blanket fidelity bond relating to moneys relating to the Airport shall be considered a Maintenance and Operating Expense.

7.11. Rate Covenant.

(a) The City covenants and agrees that it will at all times fix, impose, charge and collect such rates, fees, charges and rentals for the services, privileges, and facilities provided and made available by the Airport and shall revise the same whenever and as often as may be necessary, so as to produce in each Fiscal Year (i) in respect of Outstanding Bonds, Net Revenues, (ii) in addition in respect of only Outstanding PFC Bonds, Passenger Facility Charges, and (iii) in addition in respect of only Outstanding CFC Bonds, Customer Facility Charges, equal in the aggregate to at least 125% of the Debt Service Requirements of such Bonds for such Fiscal Year (the "Rate Covenant"). For purposes of satisfying the Rate Covenant, the City may take Passenger Facility Charges and Customer Facility Charges into consideration only in the event there are then Outstanding PFC Bonds or Outstanding CFC Bonds, respectively, and the amount of the Passenger Facility Charges or Customer Facility Charges to be taken into consideration is limited to 125% of the Debt Service Requirements for such Fiscal Year of the PFC Bonds or CFC Bonds, respectively.

(b) If the City enters into use agreements with airlines or other private entities, the City covenants it will at all times enforce the provisions thereof and shall at all times enforce its rates and charges and promptly collect the amount payable thereunder and, in the event payment is not made, will take all reasonable and proper steps to enforce collection thereof, including the filing of liens.

(c) If the audited financial statements for any Fiscal Year indicate that the City has not complied with the Rate Covenant, then the City shall either (i) promptly undertake, on its own behalf, a review of the reasons for the failure to comply with the Rate Covenant and make such revisions to its rates, fees, charges and rentals for the services, privileges, and facilities provided and made available by the Airport or methods of operations as it deems necessary to comply with the Rate Covenant and, within sixty (60) days after receipt of the audited financial statements, file with the City Council a certificate of the Director of Aviation and Transit and the Financial Services Manager stating that the revised schedule of rates, rentals and other charges, or changes in methods of operation then in effect are projected to comply with the Rate Covenant; or (ii) within thirty (30) days after the receipt of the audited financial statements for such Fiscal Year, employ an Airport Consultant to review and analyze the financial status, administration and operations of the Airport and to submit to the City, within sixty (60) days thereafter,

a written report on the same, including the action which the Airport Consultant recommends should be taken by the City with respect to the revision of its rates, fees, charges and rental and the alteration of its methods of operation or the taking of other action that is projected to produce the Net Revenues required by the Rate Covenant in the immediately following twelve (12) month period. Promptly upon its receipt of the recommendations, the City shall, after giving due consideration to the recommendations, revise its rates, fees, charges and rentals and alter its methods of operation of the Airport, which revisions or alterations need not comply with the Airport Consultant's recommendations, but which are projected to comply with the Rate Covenant.

7.12. Contractual Obligations. The City shall perform all contractual obligations undertaken by it under leases or other agreements with the federal government, under the contract to purchase each series of Bonds with the Original Purchaser thereof, and any other agreements with all other persons relating to the Bonds, the Gross Revenues, the Passenger Facility Charges, the Customer Facility Charges, or the Airport.

7.13. Compliance with PFC Regulations. The City shall comply with all regulations, policies and requirements imposed by the Federal Aviation Administration pertaining to Passenger Facility Charges.

Section 8. Default and Remedies. In the event of default on the part of the City in the prompt and full payment of principal of or interest on any Bond, or in the keeping of any covenant herein contained, and if such default shall continue for a period of sixty (60) days, or if the default is other than the failure to make prompt and full payment of principal of or interest on any Bond and cannot reasonably be cured within sixty (60) days, if the City has failed as soon as reasonably practicable to commence curing such default and prosecuting the cure continuously and diligently to completion, the City will appoint a special superintendent for the Airport, with the power and responsibility to operate the Airport for the City, and to recommend to the Council such revisions of the rates and charges and operating policies as may be necessary to comply with the Resolution, and to assure that the Gross Revenues and Passenger Facility Charges or Customer Facility Charges, if applicable, will be sufficient to pay all principal of and interest on Bonds, and he shall in all things so operate the Airport as to comply fully with all the requirements and provisions of the Resolution. The right of the Holders of the Bonds to require employment of such a superintendent shall not be exclusive, and in the event of default as herein outlined, such Holders, subject to the limitations of the following paragraph, shall have the right to proceed at law or in equity, in any form of action which shall to them seem appropriate.

No Holder of any Bond shall have the right to institute any proceeding, judicial or otherwise, for the enforcement of the covenants herein contained, except as provided in this Section. The Holders of not less than 25% in principal amount of the Outstanding Bonds shall have the right, either at law or in equity, through suit, action or other proceedings, to protect and enforce the rights of all Holders of such Bonds and to compel the performance of any and all of the covenants required herein to be performed by the City, and its officers and employees, including but not limited to the fixing and maintaining of rates, fees and charges and the collection and proper segregation of Gross Revenues, the Passenger Facility Charges, and the Customer Facility Charges and the application and use thereof. The Holders of 51% or more in principal amount of Outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Bondholders or the exercise of any

power conferred on them and the right to waive a default in the performance of any such covenant, and its consequences, except a default in the payment of the principal of or interest on any Bond when due. Nothing herein, however, shall impair the absolute and unconditional right of the Holder of each Bond to receive payment of the principal of, premium, if any, and interest on such Bond as such principal, premium and interest respectively become due, and to institute suit for any such payment. Any court having jurisdiction of the action may appoint a receiver to administer the Airport on behalf of the City with power to charge and collect rates, fees and charges sufficient to provide for the payment of any Bonds, and to apply the Gross Revenues in conformity with the Resolution and the laws of the State.

Section 9. Supplemental Resolutions.

9.01. Without Bondholder Consent. Notwithstanding Section 9.02 hereof, the City reserves the right to adopt Supplemental Resolutions from time to time and at any time, for the purpose of curing any ambiguity or eliminate any inconsistency herein or of curing, correcting or supplementing any defective provision contained herein, or of making such provisions with regard to matters or questions arising hereunder as the City may deem necessary or desirable and not inconsistent with the Resolution, and which shall not adversely affect the interests of the Holders of Outstanding Bonds, or for the purpose of adding to the covenants and agreements herein contained, other covenants and agreements thereafter to be observed and additional revenues or income thereafter appropriated to the Airport Fund, or for the purpose of surrendering any right or power herein reserved to or conferred upon the City, or for the purpose of preserving the tax-exempt status of any Bonds, or for the purpose of authorizing the creation and issuance of a series of Additional Bonds or authorizing Subordinate Obligations, as provided in and subject to the conditions and requirements of Section 5 hereof. Any such Supplemental Resolution may be adopted, without notice to or the consent of the Holder of any of the Bonds issued hereunder. Without limitation of the meaning or scope of the foregoing sentence, the City reserves the right to issue Additional Bonds payable from or secured in whole or in part by a limited tax levy pursuant to Sections 67-10-402 and 67-11-302, M.C.A., or any successor or amendatory statutes, or a deficiency tax levy pursuant to Section 67-11-303, M.C.A., or any successor or amendatory statutes, without the consent of the Holder of any Bonds issued hereunder.

9.02. With Consent of Bondholders. With the consent of the Holders of a majority in aggregate principal amount of the Outstanding Bonds as provided in Section 9.04, the City may from time to time and at any time adopt a Supplemental Resolution for the purpose of amending the Resolution by adding any provisions hereto or changing in any manner or eliminating any of the provisions of this Original Resolution or of any Supplemental Resolution, except that no Supplemental Resolution shall be adopted at any time without the consent of the Holders of all Bonds then Outstanding, if it would extend the time of payment of interest thereon, would reduce the amount of the principal or Accreted Amount thereof, would give to any Bond or Bonds any privileges over any other Bond or Bonds, would reduce the sources of revenues or income appropriated to the Airport Fund, or would reduce the percentage in principal amount of such Bonds required to authorize or consent to any such Supplemental Resolution.

9.03. Notice. Notice of a Supplemental Resolution to be adopted pursuant to Section 9.02 shall be mailed by the City, by first-class mail, postage prepaid, to the Registrar, to

the Holders of all Bonds at their addresses appearing in the Bond Register, and shall become effective only upon the filing with the City Clerk of written consents, signed by the Holders of not less than fifty-one percent in principal amount of the Bonds then Outstanding. Any written consent to the Supplemental Resolution may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by Holders in person or by agents duly appointed in writing, and shall become effective when delivered to the City Clerk. Any consent by the Holder of any Bond shall bind that Holder and every future Holder of the same Bond with respect to any Supplemental Resolution adopted by the City pursuant to such consent, provided that any Holder may revoke his consent with reference to any Bond by written notice received by the City Clerk before the Supplemental Resolution has become effective. In the event that unrevoked consents of the Holders of the required amount of Bonds have not been received by the City Clerk within one year after the mailing of notice of the Supplemental Resolution, the Supplemental Resolution and all consents theretofore received shall be of no further force and effect.

9.04. Manner of Consent. Proof of the execution of any consent, or of a writing appointing any agent to execute the same, or of the ownership by any Person of Bonds, shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the City if made in the manner provided in this Section. The fact and date of the execution by any Person of any such consent or appointment may be proved by the affidavit of a witness of such execution or by the certification of any notary public or other officer authorized by law to take acknowledgment of deeds, certifying that the Person signing it acknowledged to him the execution thereof. The fact and date of execution of any such consent may also be proved in any other manner which the City may deem sufficient; but the City may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. The ownership of Bonds shall be proved by the Bond Register.

Section 10. Defeasance.

10.01. General. When the liability of the City on any Bond and all interest thereon has been discharged as provided in this Section, such Bond shall no longer be deemed Outstanding and all pledges, covenants and other rights granted by this Resolution to the Holders of such Bond shall cease (except as to rights hereunder of Holders to receive payments of principal of and interest on the Bonds, as beneficiaries hereof with respect to the amounts, if any, deposited with the Paying Agent).

10.02. At Maturity. The City may discharge its liability with reference to any Bond and interest thereon by depositing with the Paying Agent for such Bonds on or before the Stated Maturity of such Bond a sum sufficient for the payment in full of the principal thereof and all interest due and payable thereon on and prior to its Stated Maturity; or if any Bond or interest thereon shall not be paid when due, the City may nevertheless discharge its liability with reference thereto by depositing with the Paying Agent a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

10.03. Upon Redemption. The City may also discharge its liability with reference to any Bonds which are called for redemption on any date in accordance with their terms, by depositing with the Paying Agent on or before that date an amount equal to the principal, interest, Accreted Amount and redemption premium, if any, which are then due

thereon, provided that notice of such redemption has been duly given as provided in this Resolution.

10.04. Escrow. The City may also at any time discharge its liability in its entirety with reference to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in an Escrow Account, cash or Government Obligations authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without reinvestment, to provide funds sufficient to pay all principal, Accreted Amount, interest and redemption premiums, if any, to become due on such Bonds at their Stated Maturities or, if such Bonds are subject to redemption and notice of redemption thereof has been given or irrevocably provided for, to such earlier Redemption Date.

Section 11. Tax Matters.

11.01. General Covenant. The City covenants and agrees with the Holders from time to time of the Series 2010A Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Series 2010A Bonds to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations (the “Regulations”), and covenants to take any and all actions within its powers to ensure that the interest on the Series 2010A Bonds will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

The City provides as follows:

- (a) the Series 2010A Bonds are being issued as “exempt facility bonds” pursuant to Section 142(a)(1) of the Code, the facilities being refinanced by the Series 2010A Bonds, including any leased facilities, are owned by the City within the meaning of Section 142(b) of the Code, and 95% or more of the net proceeds of the Series 2010A Bonds will be used to provide or refinance airport facilities owned by the City;
- (b) the City was not required to obtain a volume allocation for the Series 2010A Bonds pursuant to Section 146(g) of the Code;
- (c) the remaining estimated useful life of the airport facilities refinanced by the Series 2010A Bonds is not less than 20 years;
- (d) no portion of the proceeds of the Series 2010A Bonds will be used to provide any of the facilities described in Section 147(e) of the Code;
- (e) the public approval requirements of Section 147(f) of the Code, relating to the refunding effected by the Series 2010A Bonds, have been satisfied with respect to the Series 2010A Bonds; and
- (f) as required by Section 147(g) of the Code, no more than 2% of the proceeds of the Series 2010A Bonds will be used to finance issuance costs of the Series 2010A Bonds.

11.02. Arbitrage Certification. The Mayor, the City Clerk and the Financial Services Manager, being the officers of the City charged with the responsibility for issuing the Series 2010A Bonds pursuant to this Original Resolution, are authorized and directed to execute and deliver to the Original Purchaser thereof a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Series 2010A Bonds, it is reasonably expected that the proceeds of the Series 2010A Bonds will be used in a manner that would not cause the Series 2010A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and the Regulations.

11.03. Arbitrage Rebate. The City acknowledges that the Series 2010A Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Treasury Regulations to preserve the exclusion of interest on the Series 2010A Bonds from gross income for federal income tax purposes. In furtherance of the foregoing, the Financial Services Manager is hereby authorized and directed to execute a Rebate Certificate, substantially in the form of the Rebate Certificate currently on file in the office of the City Clerk, and the City hereby covenants and agrees to observe and perform the covenants and agreements contained therein, unless amended or terminated in accordance with the provisions thereof.

11.04. Information Reporting. The City shall file with the Secretary of the Treasury, not later than November 15, 2010, a statement concerning the Series 2010A Bonds containing the information required by Section 149(e) of the Code.

Section 12. Continuing Disclosure.

(a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Series 2010A Bonds and the security therefor and to permit the Original Purchaser and other participating underwriters in the primary offering of the Series 2010A Bonds to comply with amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the “Rule”), which will enhance the marketability of the Series 2010A Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Series 2010A Bonds. The City through the Airport Fund is the only “obligated person” in respect of the Series 2010A Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The City has complied in all material respects with any undertaking previously entered into by it under the Rule.

If the City fails to comply with any provisions of this Section, the Owners of any Outstanding Bonds may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this Section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder. Notwithstanding anything to the contrary contained herein, in no event shall a default under this

Section constitute a default under the Series 2010A Bonds or under any other provision of this Resolution.

As used in this Section, “Owner” or “Bondowner” means, in respect of a Series 2010A Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any “Beneficial Owner” (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, “Beneficial Owner” means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Series 2010A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

(1) to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, on or before 270 days after the end of each fiscal year of the City, commencing with the fiscal year ending June 30, 2011, the following financial information and operating data in respect of the City (the “Disclosure Information”):

(A) the audited financial statements of the City (or the Airport if separate audited financial statements are prepared) for such fiscal year, accompanied by the audit report and opinion of the accountant or government auditor relating thereto, as permitted or required by the laws of the State of Montana, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Montana law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the Financial Services Manager of the City; and

(B) Information of the type set forth below, which information may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the City’s Financial Services Manager to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources:

1. Information, for such fiscal year, of the type contained in the table under the caption “Historical & Historical Pro Forma Debt Service Coverage” in the Official Statement;

2. Information, for such fiscal year, of the type contained in the tables under the captions "The Airport—Operations at the Airport—Historical Airline Market Shares," and "The Airport—Destinations—Historical Passenger Airline Traffic" in the Official Statement; and

3. Information, for such fiscal year, relating to the Airport and updating the operating results of the Airport of the type contained in the tables in Appendix A to the Official Statement.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the MSRB as described under subsection (c). If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the Airport have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Series 2010A Bonds:

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults, if a Material Fact;

- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions, the issuance by the Internal Revenue System of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2010A Bonds, or other event affecting the tax-exempt status of the security that is a Material Fact;
- (G) Modifications to rights of security holders, if a Material Fact;
- (H) Bond calls, if a Material Fact, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if a Material Fact; and
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership or similar event of the obligated person; provided that such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;
- (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (N) Appointment of a successor or additional trustee or the change of name of a trustee, if a Material Fact.

As used herein, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Series 2010A Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a “Material Fact” is also an event that would be deemed “material” for purposes of the Rule.

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:

- (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
- (B) the amendment or supplementing of this Section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
- (C) the termination of the obligations of the City under this Section pursuant to subsection (d);
- (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information or the audited financial statements, if any, furnished pursuant to subsection (b)(1) are prepared; and
- (E) any change in the fiscal year of the City.

(c) Manner of Disclosure. The City agrees to make available the information described in subsection (b) to the following entities by telecopy, overnight delivery, mail or other means, as appropriate:

- (1) the information described in paragraph (1)(B), (2) and (3) of subsection (b), to the MSRB via the Electronic Municipal Market Access System (“EMMA”) operated by the MSRB or in a manner as may be otherwise proscribed by the MSRB consistent with the Rule; and
- (3) the information described in subsection (b), to any rating agency then maintaining a rating of the Series 2010A Bonds and, at the expense of such Bondowner, to any Bondowner who requests in writing such information, at the time of transmission under paragraph (1) of this subsection (c), or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.
- (4) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Term; Amendments; Interpretation.

(1) The covenants of the City in this Section shall remain in effect so long as any Series 2010A Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this Section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this Section will not cause participating underwriters in the primary offering of the Series 2010A Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successor thereto or amendatory thereof.

(2) This Section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Series 2010A Bonds, by a resolution of this Council filed in the office of the City Clerk

of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the Airport or the type of operations conducted by the Airport, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this Section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 2010A Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondholders under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This Section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

(e) Further Limitation of Liability of City. In and to the extent the limitations of liability contained in subsection (a) are not effective, anything contained in this Section to the contrary notwithstanding, in making the agreements, provisions and covenants set forth in this Section, the City has not obligated itself except with respect to the Net Revenues. None of the agreements or obligations of the City contained herein shall be construed to constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the general credit or taxing powers of the City.

Section 13. Transcript Certification. The officers of the City are directed to furnish to Bond Counsel and the Original Purchaser of the Series 2010A Bonds certified copies of all proceedings and information in their official records relevant to the authorization, sale, execution and issuance of the Series 2010A Bonds, and such certificates and affidavits as to other matters appearing in their official records or otherwise known to them as may be reasonably required to evidence the validity and security of the Series 2010A Bonds, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations and recitals of the City as to the correctness of all facts stated therein and the completion of all proceedings stated therein to have been taken.

Section 14. Miscellaneous.

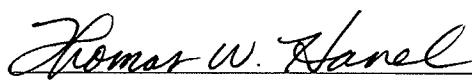
14.01. Effective Date. This Resolution shall become effective upon its passage and all provisions of ordinances, resolutions and other actions and proceedings of the City which are in any way inconsistent with the terms and provisions of this Resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this Resolution.

14.02. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be observed or performed by the City shall be contrary to law, then such agreement or agreements, such covenant or covenants, or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements or the covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds; and the Bondholders shall retain all rights and benefits accorded them under any applicable provisions of law.

14.03. Benefits of the Bond Resolution Limited to Parties. Nothing contained herein, express or implied, is intended to give any Person other than the City and the Bondholders any right, remedy, or claim under or by reason hereof. Any agreement, promise or covenant contained or required herein to be made or performed by or on behalf of the City or any officer or employee thereof shall be for the sole and exclusive benefit of the City and the Bondholders.

PASSED AND APPROVED by the City Council of the City of Billings, Montana, this 26th day of July, 2010.




Thomas W. Hanel

Thomas W. Hanel, Mayor

Attest: Cari Martin
Cari Martin, City Clerk